Supreme Court, U.S.

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In The

Supreme Court of the United States

October Term, 1998

KEN LUKER
Petitioner,

vs

THE AKRO CORPORATION
Respondent.

Petition for Writ of Certiorari
To the United States Court of
Appeals for the Federal Circuit

PETITION FOR WRIT OF CERTIORARI

Bruce H. Wilson, of csl.
OLDHAM & OLDHAM CO. LPA
1225 W. Market St.
Akron, Ohio 44313
(330) 864-5550

Attorneys for Petitioner

5811

QUESTIONS PRESENTED

1. In an action for patent infringement, when the question of the patent's validity has been put before the court, the law should not permit an accused infringer to defer that inquiry indefinitely, by suggesting that there might be someone, not a party, with a superior claim to ownership.

2. In an action for patent infringement, when the question of the patent's validity has been put before the court, a court should not act upon a suggestion of merely possible outside interest in a patent, to enable the person sued for infringement to avoid the results of his unlawful action, and to defer indefinitely the issue of the patent's validity.

LIST OF ALL PARTIES TO THE PROCEEDINGS

The parties to the proceeding in the Court of Appeals for the Federal Circuit were:

Petitioner: Ken Luker, who was the defendant-appellant; and

Respondent: The Akro Corporation, who was the plaintiff-appellee.

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NO.

In The
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KEN LUKER

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Respondent.

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

PETITION FOR WRIT OF CERTIORARI

Petitioner Ken Luker requests this Court issue a writ of certiorari to review the judgment of the United States Court of Appeals for the Federal Circuit, entered in this action on December 14, 1998, which affirmed a judgment of the United States District court for the Northern District of Ohio.

OPINIONS BELOW

United States District Court 'Opinion' entered June 3, 1997 containing findings of fact and conclusions of law that petitioner Luker owns neither legal nor equitable title to U.S. Patent No. 4,871,602. (Appendix A)

United States District Court 'Order' entered March 30, 1998 denying petitioner Luker's motion to amend or alter the order dismissing claims for: declaratory judgment of validity and enforceability, and, patent infringement predicated on the finding that Luker lacked standing to assert any patent related claims. (Appendix B)

United States Court of Appeals for the Federal Circuit 'Judgment' affirming without opinion the district court's dismissal of all claims related to petitioner Luker's U.S. Patent 4,871,602. (Appendix C)

JURISDICTION

The Judgment of the United States Court of Appeals for the Federal Circuit was entered on December 14, 1998. Jurisdiction of the United States Supreme Court rests upon 28 U.S.C. § 1254(1).

STATUTORY AND CONSTITUTIONAL PROVISIONS INVOLVED

This case is based on The Patent Act, Title 35 United States Code § 261 (Appendix D) and involves California Labor Code § 2860 (Appendix E) as applied to its facts.

STATEMENT OF THE CASE

In 1993, Akro sued Luker asking the trial court to declare Luker's patent, U.S. Pat. No. 4,871,602 (the "'602 patent") invalid. The trial court promptly decided that it did not have personal jurisdiction over Luker, a California resident, and dismissed the case on motion. Akro appealed to the Federal Circuit which reversed and directed the trial court to proceed to the merits. Akro v. Luker, 45 F.3d 1541 (Fed. Cir. 1995). Luker then filed his answer and counterclaim against Akro for patent infringement.

After dispositive motion practice and an eight day bench trial concerning infringement and validity of the '602 patent, the trial court requested post-trial briefing on the issue of whether Luker owned either legal or equitable title to the '602 patent. Despite Luker's arguments that implied assignment of his patented invention to his employer, Designer Mat Inc. ("DMI"), was not a valid

defense to Akro's patent infringement, the trial court issued findings of fact and conclusions of law dismissing, for lack of subject matter jurisdiction, both Akro's complaint for declaratory judgment and Luker's infringement claims. The trial court concluded that Luker did not have legal or equitable title to the '602 patent for his invention because the California Labor Code § 2860 compelled, as a matter of law, an assignment of Luker's invention to his employer, DMI.

After the decision, Luker moved to amend the judgment (FRCP 59) and/or in the alternative to add DMI as a party (FRCP 15). The Federal Circuit deactivated Luker's appeal while those post-trial motions were pending.

The trial court denied post-trial relief, once again noting that Luker was hired to develop and invent products among his other duties as DMI President and in any event that California Labor Code § 2860, compelling assignment of employee's inventions by virtue

of their employment, must be read into every employment agreement. The Federal Circuit then reactivated Luker's appeal.

While Luker's Federal Circuit appeal was pending, Luker moved, under FRCP 60(b), for relief from the trial court's previous denial of Luker's FRCP 59 motion to amend its judgment and/or add DMI as a party to the trial court's proceedings. This motion relied upon new evidence from Designer Mat's California bankruptcy proceedings that DMI and its creditors have never asserted a claim to Luker's patent. This motion was pending in the trial court on December 14, 1998, when the Federal Circuit entered its judgment ('affirmed') without opinion.

STATEMENT OF FACTS

Appellant Ken Luker ("Luker") is the named inventor of the '602 patent entitled "Floor Mat With Band Of Higher Density Tufting" issued by the PTO on June 29, 1988. Luker has never assigned his '602 patent to anyone. At the time Luker invented the subject matter of the '602 patent, he was owner and President of DMI and another corporation, Calron Carpets. He was sole owner of both corporations. Both corporations conducted operations in the same facilities. Calron was in the business of manufacturing rolled carpet goods for the automotive industry. DMI manufactured finished car floor mats from rolled carpet goods including those manufactured by Calron.

Luker performed a variety of duties: he (i) created promotional literature and brochures; (ii) promoted products through attendance at industry trade shows; (iii) made joint venture agreements, and (iv) oversaw manufacturing operations. In short, he "ran

the show." None of the companies Luker previously associated with had sought patent protection for inventions. Neither did DMI and Calron. Although the patent search and application fees for Luker's '602 patent were paid in part by DMI, at no time did Luker have any agreement to assign any inventions he might make to either Calron or DMI. In fact, Luker had no formal employment agreement of any kind with either corporation.

Calron, DMI, and Luker each filed separately for bankruptcy protection in the 1987-88 period. Luker's '602 patent application was listed on Luker's personal bankruptcy schedule, but the trustee did not administer it as an asset.

Although the trial court found in June, 1997, that DMI had legal and equitable title (and Luker had no interest) in the Luker '602 patent, the fact remains, Designer Mat, Inc. (DMI) has never asserted any interest, legal or equitable, in the Luker '602 patent.

REASONS FOR GRANTING THE PETITION

A. Federal Circuit decisions are unclear as to whether the issue of patent validity can be resolved without the patent owner as a party to the suit.

The trial court committed reversible legal error when it allowed Akro to defend the charge that it infringes the Luker '602 patent by asserting that Luker is not the patent owner. The Court of Claims, the First, Sixth, and Seventh Circuits, have long held that purported ownership rights of non-parties does not excuse a party accused of infringement by the patent owner.

Assuming arguendo that it was proper for the trial court to entertain the purported ownership of Luker's patent by DMI as a defense for Akro (even though DMI was not a party), it was error for the trial court to insert the

California Labor Code into the employment relationship between DMI and patentee Luker. California Labor Code § 2860 appears to have been enacted to interdict theft of an employer's trade secrets.

> **Ownership of things acquired by virtue of employment**
>
> Everything which an employee acquires by virtue of his employment, except the compensation which is due to him from his employer, belongs to the employer, whether acquired lawfully or unlawfully, or during or after the expiration of the term of his employment. Cal.Lab.Code § 2860 (West 1989)

Compounding the error, the trial court applied the California statute to compel an assignment of Luker's '602 patent without first determining whether his employer specifically hired or directed him to exercise inventive faculties.

Finally the trial court concluded Luker's corporation (DMI), not Luker, owns the '602 patent, but did not allow DMI to be added as a party.

All of this the Federal Circuit affirmed, without an opinion.

Implied assignment of rights through a contractual arrangement between employer and employee does not, or should not afford third parties a defense to patent infringement. See Dorr-Oliver, Inc. v. U.S., 432 F.2d 447 (Ct. Cl. 1970); Mercantile National Bank of Chicago v. Howmet Corp., 524 F.2d 1031 (7th Cir. 1975); Mill Novelty Company v. Monarch Tool & Manufacturing, 49 F.2d 28 (6th Cir. 1931); Heywood-Wakefield Co., 96 F.2d 496 (1st Cir. 1938)).

Akro has sought to avoid these cases by: (1) citing to a Tariff Act decision by the Federal Circuit in McKinney v. U.S., 799 F.2d 1544 (Fed. Cir. 1986); (2) relying upon the Federal Circuit decision in Arachnid, Inc. v. Merit Indus., Inc., 939 F.2d 1574 (Fed. Cir. 1991); and (3) "distinguishing" cases in which there were formal employment contracts, from those applying only the common law (or

purported codification of the common law).

In McKinney, supra, the Federal Circuit denied standing for individual members of Congress to bar importation of Soviet goods under the Tariff Act. McKinney, 799 F.2d at 1558. That case does not appear to have much to do with this one. In Arachnid, supra, the Federal Circuit said:

> We hold that the Wisconsin district court's 1987 order decreeing Arachnid "to have been" the owner of the invention since its conception was ***legally ineffective to bestow standing upon Arachnid*** to retroactively seek patent infringement damages for the 1985-86 period. Although ***it may have validated Arachnid's right to seek equitable relief*** against IDEA (or its successors in liability), under these facts and the controlling authorities, the Wisconsin district court's order did not retroactively divest IDEA of legal title to the '781 patent during the 1985-86 time frame and revest that legal title in Arachnid for standing purposes.

Arachnid, 939 F.2d at 1579(emphasis added).

Based on somewhat different (and a more intricate set of) facts, Arachnid appears to support rather than refute Luker's argument.

The federal government and many states have codified the common law rules relating to the ownership of patent rights in the employer-employee context. See, e.g., Heinemann v. U.S., 796 F.2d 451 (Fed. Cir. 1986) (discussing an Executive Order which specifies categories of government employees whose inventions are presumed to be government property).

Akro argued that Heinemann recognizes a purported codification of a federal employer's common law right to assignment of its employee's inventions. Heinemann construes the constitutionality of a specific Executive Order related to inventions made by government employees. Heinemann, 796 F.2d at 454-56. Pertinent to this appeal is Heinemann's preservation of the common law rights of employees to their inventions. Heinemann cites with approval United States v. Dubilier Condenser Corp., 289 U.S. 178 (1933), a declaratory judgment action between the U.S. Government as employer and an employee for

title to a patent. Heinemann, 796 F.2d at 455. Dubilier, supra is one step removed from the instant dispute since 'employer' DMI is not a party and has not pursued an ownership interest in Luker's patent.

In an earlier patent infringement action brought by Dubilier against alleged infringer RCA, Dubilier v. Radio Corp. of America, 34 F.2d 450 (D.Del. 1929), RCA (like Akro) asserted common law rights of the U.S. Government, as an employer, to "ownership by the United States in that the alleged inventions were made by the patentees on the employer's [U.S. Government] time, with its tools and facilities..." Id. at 451. The court dismissed RCA's common law assignment argument with analysis similar to other circuit courts of appeal which have addressed contractual duties to assign:

> Whether the United States had or had not an equitable right to require, if it so desired, an assignment of the inventions or patents to it, there has been no assignment of either....(a) That

> ***upon the grant of the patents the respective patentees become vested with legal title*** thereto, (b) that ***if,*** by reason of a relation of employer and employee existing between the U.S. and the patentees at the time the inventions were made and by reasons of the nature of the service to which the patentees were assigned and the particular circumstances under which the inventions were made, ***the U.S. has a right to require an assignment of the patents, such right, personal to the employer is exercisable at its option alone,*** and (c)that whatever the optional rights or equities between the Government as employer and the patentees as employees were, ***such rights or equities cannot constitute a defense to infringement by a third party.***

Id. at 463(emphasis added).

In precluding a defense of implied ownership rights, these cases are precedent supporting Luker's position in this appeal.

In another case of interest, Sigma Engineering Service, Inc. v. Halm Instrument Co. Inc., 33 F.R.D. 129 (E.D.NY. 1963), the court opined:

> Each of these cases involved a suit by the legal owner of the patent in

> which the defendant attempted to assert the ownership of the United States predicated upon the employment of the inventor. In each case it was held that whatever equities or rights the U.S. Government might have in the invention were not available against the holder of the legal title and did not constitute a defense to an action for infringement.[cites omitted] ***Dubilier Condenser Corporation v. Radio Corporation of America***, D.C.Del. 1929, 34 F.2d 450. The defendant claims that these cases are not applicable because the Government was the employer and the ***equity arose out of employment rather than a written agreement***. There is no difference between the Government and any other employer in this respect.

Id. at 298 (emphasis added).

The Sigma court applied Dubilier, supra, and its opinion refutes Akro's argument that common and contractual rights somehow require a different result.

The appropriate inquiry since Dubilier, supra, is whether the "employer specifically hires or directs the employee to exercise inventive faculties." Teets v. Chromalloy Gas Turbine Corp., 83 F.3d 403,407(Fed. Cir. 1996),

citing U.S. v. Dubilier, 289 U.S. at 187.

Although citing Dubilier, supra, the trial court's reliance upon Teets fails to note that Teets sued his employer in a declaratory judgment action to settle rights in the subject patent - that is of course not the situation here.

B. Allowing alleged infringers to end the inquiry into a patent's validity by asserting that the other party in the suit does not have title to the patent is contrary to the policy of the patent grant.

The inquiry here is validity of the patent, not ownership. The inquiry is infringement, not equitable title. Akro brought Luker from California to Ohio, not the other way around, to test the validity of Luker's patent. Finding himself in court in Ohio, Luker then counterclaimed for infringement.

It didn't matter to Akro that DMI, or someone else, might have an equitable interest

in the patent until Luker counterclaimed for infringement. Even then Akro was perfectly willing to have Luker, this "stranger", defend the patent's validity.

Luker will not contend there is complete harmony in the law on this issue, but there should be in patent cases. The Court of Appeals for the Federal Circuit was formed , in part, because Congress recognized a special need for uniformity in patent law. S.Rep. 97-275, 97th Cong., 1st Sess. (1981):

> Patents...are a stimulus to the innovative process, which includes not only investment in research and development but also a far greater investment in facilities for pro-ducing and distributing the goods. Certainly, ***it is important*** to those who must make these investment decisions ***that we decrease unnecessary uncertainties in the patent system***.

Id. (emphasis added).

CONCLUSION

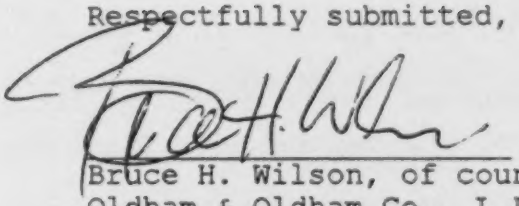
The law should not permit an accused infringer to derail the inquiry as to the validity of the patent by suggesting there might be someone with a superior claim to ownership. It's better for everyone, including those who might be affected by the limited monopoly arising from the grant of the patent, that once the question of the validity of the patent is put before the court, that it be pursued to a conclusion. In any event, the one who asserts ownership in a third person should be required to substantiate that assertion. Such an assertion should never become a defense to a claim of infringement -- especially when the accused infringer is unwilling to bring that third party before the court.

A patent is issued by the government, in accordance with Article I, Section 3 of the United States Constitution, and federal statutes establishing the United States Patent and Trademark Office. Letters patent are

granted to worthy inventors, conferring upon them a monopoly limited in time
and to the specific subject matter of the claims. To that extent, the issued patent has a life of its own and may affect the conduct of persons, persons other than the patentee, unknown at the time of its issuance. Other applicants for patents are going to be prevented from being awarded patents which claim the same invention. If, then, that patent is not valid, it should not bar the rights of others to practice its claims -- regardless of who owns it or who feels threatened by its owner. For that reason, once the inquiry is suggested that a patent may be invalid, the court should adjudicate the merits of the claim of invalidity. From this point of view, ownership, which is not strictly relevant to the issue of validity, is secondary to the more important question of what others may be allowed to make, use and sell. The patent laws are designed to encourage advancement in

science and the technical arts, not to frustrate it.

Respectfully submitted,



Bruce H. Wilson, of counsel
Oldham & Oldham Co., L.P.A.
1225 West Market Street
Akron, Ohio 44313
(330) 864-5550

Attorney for Petitioner

APPENDICES

APPENDIX A

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF OHIO
EASTERN DIVISION

THE AKRO CORPORATION,	)	CASE NO. 5:93CV2207
	)	
Plaintiff,	)	Judge Sam H. Bell
	)	
v.	)	Opinion
	)	
KEN LUKER,	)	
	)	
Defendant.	)	

The Akro Corporation ("Akro"), Plaintiff, and Ken Luker, Defendant, dispute whether Akro is liable to Luker for infringement of United States Patent No. 4,871,602 (the "'602 patent"). After denying the parties' cross-motions for summary judgment, the court held a eight-day bench trial. Among its many arguments, Akro challenged Luker's standing to bring an infringement suit by asserting that Luker holds no ownership interest in the patent. The court agrees that Mr. Luker lacks ownership of the patent and, consequently, adequate standing to assert infringement of the patent. Consequently,

the court shall dismiss for lack of subject matter jurisdiction each of Plaintiff's claims of non-infringement, invalidity and unenforceability and Defendant's counterclaim of infringement. In addition, because Defendant has failed to present any evidence to support its counterclaim for unfair competition, the court shall find for Plaintiff on that count of the counter-complaint.

FINDINGS OF FACT

1. The Akro Corporation is a company incorporated under the laws of the State of Delaware. Akro produces floor mats for use in automobiles and has its principal place of business in Canton, Ohio. (Tr. at 55-56, 820.)

2. Ken Luker is a resident of the State of California. (Tr. at 397.) Mr. Luker is the named inventor of United States Patent No. 4,871,602 (Tr. at 398; Pl.'s Tr. Ex. 1.)

3. In 1987, Luker founded Designer Mat, Inc. ("DMI"), a company dedicated to, inter alia, the production of carpeted floor mats for

automobiles. (Tr. at 403-404, 420-421.) DMI was incorporated under the laws of the State of California and had its principle place of business in Ontario, California, where it operated a factory for the production of its mats. (Tr. at 404-405.) DMI filed for bankruptcy protection in 1989. (Tr. at 405-406.)

4. Since DMI's incorporation, Luker served as its President and sole owner. (Tr. at 405) Among his other responsibilities, Luker was responsible for the creation and development of DMI products, including the invention of new product. (Tr. at 414; Final Pretrial Order at B-9, ¶ 9.) As an employee of DMI, Luker did not work pursuant to a formal employment agreement.

5. In July, 1987, Luker conceived an idea for improving the wear and appearance of carpeted automobile floor mats. Luker's idea consisted of double-tufting the mat's carpeting in the region of expected high wear, all within a single pass of a carpet tufting machine. (Tr. at 414-415, 588-593.) Luker conceived the idea in his

capacity as an officer of DMI, and for the commercial benefit of DMI. (Tr. at 414.)

6. Subsequently, Luker produced a mat incorporating his idea. (Tr. at 415.) He made the prototype mat on a tufting machine located in DMI's Ontario production facility with the assistance of employee George Kennedy, a DMI foreman. (Tr. at 418-419, 552.) Kennedy suggested the use of two threads in a single needle to achieve the desired double tufting in the region of expected high wear. (Tr. at 347, 349,353,416,586-588.) Luker made the mat using yarn, carpet backing and latex supplied and owned by DMI. (Tr. at 419-420,552-554,592.) He named the double-density mat the "Double Mat."

7. On June 29, 1988, Luker filed an application with the United States Patent and Trademark Office for a patent on the double-tufted floor mat. (Tr. at 472; Pl.'s Tr. Ex. 1.) At least a portion of the expenses incurred in filing the application for the patent, such as attorneys' fees and application fees, were paid

by DMI. Luker did not pay any of the application expenses in his personal capacity. (Tr. at 424-427,472-480,551.) In addition, he did not report any of the payments made by DMI and others as income on his federal or state tax returns. (Tr. at 507.)

8. On October 3, 1989, the United States Patent and Trademark Office granted Luker United States Patent No. 4,871,602 for a double-tufted carpeted automobile floor mat. (Pl.'s Tr. Ex. 1.)

9. On approximately six separate occasions, Luker accused Akro of infringing the '602 patent. (Final Pretrial Order at B-1.) For example, in a letter dated October 13, 1993, Luker, through his counsel, wrote the following:

> It is my understanding that you are aware of the patent held by Mr. Luker and are intentionally manufacturing and selling floor mats using said patent in full disregard of Mr. Luker's patent rights.
>
> Please be advised that our office is investigating this matter and will seek remedies for our client should there be a patent

> infringement. Such remedies would include injunctive relief, compensatory damages and attorneys' fees.

10. On October 15, 1993, Akro filed suit against Luker for a declaratory judgment that (1) it has not infringed the '602 patent and (2) the patent is invalid and unenforceable. (Docket #1.)

11. On July 31, 1995, Luker countersued Akro, alleging that Akro had in fact infringed the '602 patent and that Akro had engaged in unfair competition. (Docket #30.)

CONCLUSIONS OF LAW

1. The court may exercise personal jurisdiction over the parties in a manner consistent with the due process limitations of the Fifth Amendment. See Akro Corp. v. Luker, 45 F.3d 154, 1549 (Fed. Cir. 1995).

2. The court may issue a declaratory judgment as to the enforceability, validity and infringement by Akro of the '602 patent only upon a determination of an actual controversy. See 28 U.S.C. § 2201 (West 1997). ("In a case

within its jurisdiction,...any court of the United States, upon the filing of an appropriate pleading, may declare the rights and other legal relations of any interested party seeking such declaration, whether or not further relief is or could be sought."); Aetna Life Ins. Co. v. Hayworth, 300 U.S. 227,239-240 (1937).

3. "In a patent context, an actual controversy exists if there is (1) an explicit threat or other action by the patentee, which creates a reasonable apprehension on the part of the declaratory plaintiff that it will face an infringement suit, and (2) present activity which could constitute infringement or concrete steps taken with the intent to conduct such activity." Cygnus Therapeutics Sys. v. Alza Corp., 92 F.3d 1153, 1159 (Fed.Cir. 1996)(citing B.P. Chems., Ltd. v. Union Carbide Corp., 4 F.3d 975,978 (Fed.Cir. 1993)).

4. As the party seeking a declaratory judgment, Akro bears the burden of proving, by a preponderance of the evidence, that an actual

controversy exists. Id.

5. "The reasonableness of a party's apprehension of a suit involves an objective inquiry" of the totality of the circumstances, including "any express charges of infringement." Id.

6. On numerous occasions, Luker expressly charged Akro with infringement of the '602 patent. In light of these charges, Akro reasonably feared that it would face a suit for both legal and equitable relief. In addition, Akro conducted activity at the time of its suit which could constitute infringement. As a result, the court may issue a declaratory judgment as to the rights of Akro and Luker with respect to the '602 patent upon a finding that an infringement suit by Luker against Akro for both legal and equitable relief lies within its jurisdiction.

7. Under 28 U.S.C. § 1338 (West 1997), the court may exercise jurisdiction over an action "arising under" any Act of Congress relating to

patents.

8. In order for an action to arise under the patent laws, the plaintiff asserting a claim of patent infringement must have standing to bring the claim. Arachnid, Inc. v. Merit Indus., Inc., 939 F.2d 1574, 1579 (Fed.Cir. 1991).

9. In both his threat of suit and his actual suit against Akro, Luker has asserted a right to both legal and equitable relief. "The general rule is that one seeking to recover money damages for infringement of a United States Patent (an action "at law" must have held legal title to the patent during the time of the infringement." Id. (emphasis in original). In addition, "one seeking injunctive relief for infringement of a U.S. patent must hold an equitable interest in the patent at the time of suit." Arachnid, 939 F.2d at 1580 (citing Papazian v. Amer. Steel & Wire Co. of New Jersey, 155 F.Supp. 111 (N.D.Ohio 1957)). Consequently, in order to have standing to bring his suit, Luker must demonstrate both legal

title to the '602 patent during the time of the alleged infringement and equitable title at the time the suit was filed.

10. "[A]n invention presumptively belongs to its creator....Consistent with the presumption that the inventor owns the invention, an individual owns the patent rights even though the invention was conceived and/or reduced to practice during the course of employment." Teets v. Chromolloy Gas Turbine Corp., 83 F.3d 403,406 (Fed.Cir. 1996) (citing Beech Aircraft Corp. v. EDO Corp., 990 F.2d 1237,1248 (Fed.Cir. 1993); Arachnid, 939 F.2d at 1578; Hapgood v. Hewit, 119 U.S. 226,223-34 (1886)).

11. Nevertheless, an employer may still claim legal title to an employee's inventive work, under either an express assignment or an implied contract. Id.

12. "As a matter of common law, after the Supreme Court's decision in Erie Railroad v. Thompkins, 304 U.S. 64 (1938), state contract principles provide the rules for identifying and

enforcing implied-in-fact contracts." Teets, 83 F.3d at 407.

13. As a California resident employed by a California corporation at a site located in Ontario, California, Luker is subject to the employment and contract law provision of the State of California. Cf. Id. (applying Florida law to an employment relationship within the State of Florida).

14. Under California law, "[e]verything which an employee acquires by virtue of his employment...belongs to the employer...." Cal. Labor Code § 2860 (West 1997).

15. Luker and DMI did not enter into a precise employment agreement. Consequently, Cal. Labor Code § 2860 must be read into the parties' employment relationship. See Lugosi v. Universal Pictures, 603 P.2d 425,431 (Cal. 1979)(Mosk, J., concurring) ("In the absence of precise provision of a contract to the contrary, Labor Code section 2860 (formerly Civil Code § 1985) must be read into every employment

relationship.").

16. Under Cal. Labor Code § 2860, Luker does not hold legal title to the '602 patent. First, Luker conceived the idea of using double-tufting in the high wear region of an automobile floor mat while serving as President of DMI. Among his responsibilities as President were the design and development of new products. Cf. Goodyear Tire & Rubber Co. v. Miller, 22 F.2d 353,356 (9th Cir. 1927) (holding that an invention made by an employee hired to make it belonged to the employer); Teets, 83 F.3d at 406 ("When the purpose for employment thus focuses on invention, the employee has received full compensation for his or her inventive work."). Moreover, he used DMI facilities and materials to construct the Double Mat prototype and received the assistance of a fellow DMI employee in configuring the tufting machinery. Finally, DMI paid at least a portion of the fees necessary to secure patent protection for the tufted floor mat idea. In sum, the court finds

that Luker acquired the '602 patent "by virtue of his employment" by DMI. Cf. Aero Bolt & Screw Co. of Cal. v. Iaia, 180 Cal.App.2d 728 (Ct. App. 1960) (finding no employer right to assignment where an employee developed the invention on his own time and at his own expense, and paid all patent application costs).

17. In addition, Luker holds no equitable interest in the '602 patent. Under Cal. Labor Code § 2860, "[e]verything which an employee acquires by virtue of his employment...belongs to the employer...." Thus, under California law, if an employer assumes ownership of a patent by virtue of the nature of the employee's acquisition of the patent rights, an employee is left with no rights in the patent at all. Furthermore, under Teets, the existence of an implied assignment contract divests an employee of all rights, both legal and equitable. In that case, the Federal Circuit Court of Appeals concluded that, under applicable state law, the defendant employer had been assigned the rights

to a patent that had been issued to the plaintiff employee. The Court found that the rights had been assigned under an implied contract between the two parties. As a result, the Court held that "the district court clearly erred in its determination that [employee] Teets owned any rights to the invention." Teets, 83 F.3d at 408 (emphasis added).

18. In the absence of either legal or equitable title to the '602 patent, Luker lacks standing to sue Akro for either legal or equitable relief from any alleged infringement. Consequently, the court may not exercise subject matter jurisdiction over either Akro's original infringement suit or Luker's infringement counterclaim. Furthermore, the court must decline to rule on the merits of Count 1 of Akro's complaint and Count 1 of Luker's counter-complaint. See Firestone Tire & Rubber co. v. Risjord, 449 U.S. 368, 379 (1981) ("A court lacks discretion to consider the merits of a case over which it is without

jurisdiction....").

19. Luker failed to present any evidence to support his claim of unfair competition pursuant to the Lanham Act. As a result, the court hereby finds for Akro on Count 2 of Luker's counter-complaint.

IT IS SO ORDERED.

SAM H. BELL

United States District Judge

APPENDIX B

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF OHIO
EASTERN DIVISION

THE AKRO CORPORATION,	)	CASE NO. 5:93CV2207
	)	
Plaintiff,	)	Judge Sam H. Bell
	)	
v.	)	ORDER
	)	
KEN LUKER,	)	
	)	
Defendant.	)	

Now before the court is a motion to alter or amend judgment filed by Defendant Ken Luker. (Docket #172.) On June 3, 1997, the court entered its decision in this case upon the conclusion of an eight-day bench trial. (Docket #165.) The court found that Mr. Luker does not own either legal or equitable title to United States Patent No. 4,871,602 (the '602 patent"). Consequently, it held that Luker lacks standing to bring a suit for infringement of the '602 patent against Plaintiff The Akro Corporation ("Akro"). The court then dismissed Akro's declaratory judgment claims, as well as Luker's

infringement counterclaim, for lack of subject-matter jurisdiction. In addition, the court found no evidence to support Luker's counterclaim for unfair competition, and granted Akro judgment on that claim.

The court does not wish to reiterate in full the reasons for its finding. Its June 3, 1997 opinion speaks for itself. Nevertheless, it does believe that a brief summary of those reasons would be helpful in addressing Luker's present motion.

The court began by noting that its subject-matter jurisdiction over this case stemmed from 28 U.S.C. § 1338, which grants federal jurisdiction over any case "arising under" any Act of Congress relating to patents. A case may arise under the patent laws only if the party bringing claim of infringement has adequate standing. Arachnid, Inc. v. Merit Indus., Inc., 939 F.2d 1574, 1579 (Fed. Cir. 1991). Consequently, the court found that is must establish Luker's standing to bring an

infringement claim before it could proceed to the merits of the case.

In Arachnid, the Federal Circuit Court of Appeals clarified that standing in an infringement suit is really about title. In particular, the Circuit held that a party seeking legal relief for patent infringement must have legal title to the patent during the time the patent was allegedly infringed. Id. Subsequently, in Teets v. Chromolloy Gas Turbine Corp., 83 F.3d 403, 406 (Fed.Cir. 1996), the Circuit explored the issue of title in the context of the employment relationship. After noting that an employer may take legal title to an employee's inventive work under either an express or implied contract, the Circuit held that courts must look to state contract principles to determine whether an implied contracts exist. Id.

This court then looked to the law of the State of California, the state where Luker worked as President of Designer Mat, Incorporated ("DMI")

at the time he invented the subject of the '602 patent. California Labor Code § 2860 provides "[e]verything which an employees acquires by virtue of his employment...belongs to the employer...." Cal. Labor Code § 2860 (West 1997). Applying Labor Code § 2860, and case law interpreting the transfer of title under common law, the court found that DMI, not Luker, held legal title to the '602 patent. First the court noted that Luker's job responsibilities specifically included the design and development of new products. Second, it noted that Luker used DMI facilities and materials to develop the subject matter of the '602 patent and did not pay any of the expenses of securing the patent.

Luker now contends that the court erred when it found that he does not hold legal title to the '602 patent. He first argues that his former employment arrangement precluded any finding that his rights in the patent were transferred to his employer pursuant to an implied contract. According to Luker, he was not specifically

hired or directed to invent by DMI. As a result, Luker concludes, he was under no duty to assign his invention to DMI. See. e.g., Banner Metal, Inc. v. Lockwood, 178 C.A.2d 643,654-655 (Cal.App. 1960)(holding that "the mere existence of an employer-employee relationship is not, in and of itself, sufficient to entitle the employer to partake of the benefits of the employee's inventive genius."). Luker also argues that the court erred in reading Labor Code § 2860 into his employment relationship with DMI, and that in any event he could not have "acquired" anything from DMI, because he was DMI's founder, President, and sole owner. Finally, Luker argues that the court's construction of Labor Code § 2860 eliminates the shop right doctrine and the constructive license which it creates.

The court has no doubt that Mr. Luker's arguments are genuine, and even heart-felt. But these arguments are simply not supported by applicable law. First, courts have clearly held

that an employer may claim legal title to any invention by an employee who was hired to invent. See. e.g., Id. at 658 ("One employed to make an invention, who succeeds, during his term of service, in accomplishing that task, is bound to assign to his employer any patent obtained.") (quoting United States v. Dubilier Condenser Corp., 289 U.S. 178 (1933)). As the trier of fact in this case, this court found that Luker was hired by DMI to develop and invent products. (Opinion at ¶ 4.) Granted, Luker also performed other duties as DMI President. But this does not serve to limit DMI's legal claim to the '602 patent in any way. Otherwise, an employer would lose its claim to the inventions of an employee whom it hired to invent if it also assigned the employee any other significant task. No decision suggests that courts may impose any such restriction. See e.g., Barton v. Nevada Consolid, Copper Co., 71 F.2d 381 (9th Cir. 1934) (denying employer title to employee invention because employee was not hired to

invent products, among his various duties). Second, the court must read California Labor Code § 2860 into Luker's employment relationship with DMI. As Akro notes, counsel for Luker's position himself recognized this during DMI's dispute with George Kennedy. (See Akro's Opp. to Luker's Mot. to Amend Ex. 3 (same as Akro's Tr. Ex. 64) ("California has, however, passed a statute in that area name Section 2860 of the Labor Code, a copy of which is enclosed. That section seems favorable to your position.").) More importantly, Justice Mosk was clear in his opinion in Lugosi v. Universal Pictures, 603 P.2d 425 (Cal. 1979): California law requires that, under ordinary circumstances, courts read § 2860 into every employment contract. "In the absence of precise provision of a contract to the contrary, Labor Code section 2860 (formerly Civil Code § 1985) must be read into every employment relationship." Id. at 431 (Mosk, J., concurring)(emphasis added).

Luker's remaining arguments are similarly

unpersuasive. Luker could most certainly "acquire" his patent rights from DMI, even though he himself created the invention. "Where an employee creates something as part of his duties under his employment, the thing created is the property of his employer unless, of course, by appropriate agreement, the employer retains some right in or with respect to the product." Zahler v. Columbia Pictures Corp., 180 Cal.App 2d.582,589 (1960). Also, despite Luker's beliefs, he is not the alter ego of DMI simply because he was its founder, President and sole owner. DMI is a corporation, and thus a separate legal person. Presumably, this strict separation of personalities is what attracted Luker to the corporate form in the first place. He may not now argue otherwise simply because it works to divest him of title to the patent. Finally, the court's interpretation of Labor Code § 2860 does not "eliminate the shop right doctrine and its constructive license altogether." (Mot. to Amend or Alter at 7.) That doctrine provides that an

doctrine provides that an employer has a non-exclusive right to practice any invention which an employee conceives and perfects: (1) during his hours of employment; (2) working with his employer's materials and appliances. United States v. Dublier Condenser Corp., 289 U.S. 178, 188 (1933). This case itself demonstrates why the court's interpretation of Labor Code § 2860 does not render the doctrine redundant. If Luker's employment duties did not include developing and inventing products, DMI would still have a shop right to practice the invention. It could practice the invention even though Luker would have legal title to the patent. But because Luker's duties did include invention, DMI owns all rights in the invention, not just a license to practice it.

In sum, the court finds no reason to alter or amend it June 3, 1997 judgment in any way. Luker's motion is hereby DENIED. Furthermore, the court DENIES Luker's alternative motion, pursuant to Fed. R. Civ. Pro. 15, to add various

parties as defendants at this advanced stage of the litigation.

SAM H. BELL
United States District Judge

APPENDIX C

United States Court of Appeals
for the Federal Circuit

97-1463

THE AKRO CORPORATION,

Plaintiff-Appellee,

v.

KEN LUKER,

Defendant-Appellant.

JUDGMENT

ON APPEAL from the UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF OHIO

IN CASE NO(S). 93-CV-2207

This CAUSE having been heard and considered, it is ORDERED and ADJUDGED:

Per Curiam: (MAYER, Chief Judge, ARCHER, Senior Circuit Judge and CLEVENGER, Circuit Judge):

AFFIRMED. See Fed. Cir. R. 36.

ENTERED BY ORDER OF THE COURT

DATED: Dec. 14 1998 Jan Horbaly, Clerk

APPENDIX D

The Patent Act, Title 35 United States Code

§ 261. Ownership; assignment

Subject to the provisions of this title, patents shall have the attributes of personal property.

Applications for patent, patents, or any interest therein, shall be assignable in law by an instrument in writing. The applicant, patentee, or his assigns or legal representatives may in like manner grant any convey an exclusive right under his application for patent, or patents, to the whole or any specified part of the United States.

A certificate of acknowledgment under the hand and official seal of a person authorized to administer oaths within the United States, or, in a foreign country, of a diplomatic or consular officer of the United Sates or an officer authorized to administer oaths whose authority is proved by a certificate of a diplomatic or consular officer of the United

States, or apostille of an official designated by a foreign country which, by treaty or convention, accords like effect to apostilles of designated officials in the United States, shall be prima facie evidence of the execution of an assignment, grant or conveyance of a patent or application for patent.

An assignment, grant or conveyance shall be void as against any subsequent purchaser or mortgagee for a valuable consideration, without notice, unless it is recorded in the Patent and Trademark Office within three months from its date or prior to the date of such subsequent purchase or mortgage. (July 19, 1952, c. 950, 66 Stat. 810; Jan. 2, 1975, Pub.L. 93-596, § 1, 88 Stat. 1949; Aug. 27, 1982, Pub.L. 97-247, § 14(b), 96 Stat. 321.)

APPENDIX E

California Labor Code (West 1989)

§ 2860. Ownership of things acquired by virtue ofemployment

Everything which an employee acquires by virtue of his employment, except the compensation which is due to him from his employer, belongs to the employer, whether acquired lawfully or unlawfully, or during or after the expiration of the term of his employment. (Stats.1937, c. 90, p. 260, § 2860.)

Supreme Court, U.S.
FILED
APR 5 1999
OFFICE OF THE CLERK

No. 98-1458

IN THE

Supreme Court of the United States

OCTOBER TERM, 1998

KEN LUKER,

Petitioner,

v.

THE AKRO CORPORATION,

Respondent.

On Petition for Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

RESPONDENT'S BRIEF IN OPPOSITION

JAMES D. MYERS
Counsel of Record
MYERS BIGEL SIBLEY & SAJOVEC, P.A.
Attorneys for Respondent
P.O. Box 37428
111 Corning Road
Raleigh, North Carolina 27627
(919) 854-1400

152196

Counsel Press LLC
FORMERLY LUTZ APPELLATE SERVICES
(800) 274-3321 • (800) 359-6859

2298

QUESTIONS PRESENTED

Respondent The Akro Corporation ("Akro") objects to Petitioner Ken Luker's ("Luker") statement of the questions presented as they misleadingly suggest that Luker holds an ownership interest in the patent at issue in the action below. This suggestion is improper as both the District Court and the Federal Circuit found, and Luker's "questions presented" do not challenge, that Luker held neither legal nor equitable title to the patent. Moreover, while Luker's petition sets forth two separate "questions presented," the issues raised by the questions are identical, namely whether or not a party may sue for patent infringement even though they hold no ownership interest in the patent whatsoever. Accordingly, Akro restates the question presented by Luker's petition as follows:

(1) Did the courts below correctly dismiss the present patent infringement action for lack of subject matter jurisdiction upon finding that the party suing to recover monetary damages for the alleged patent infringement held neither legal nor equitable title to the patent-in-suit?

RULE 29.6 STATEMENT

Akro supplements Luker's listing of the parties to the proceeding by noting that The Akro Corporation is a wholly-owned subsidiary of Collins & Aikman Group, Inc. All of the common stock of Collins & Aikman Group, Inc. is owned by Collins & Aikman Holding Corp.

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Respondent The Akro Corporation ("Akro") respectfully opposes Petitioner Ken Luker's ("Luker") Petition for a Writ of Certiorari to review the December 14, 1998 judgment of the United States Court of Appeals for the Federal Circuit ("Federal Circuit"). In that judgment, the Federal Circuit affirmed, without opinion, the June 3, 1997 and March 30, 1998 decisions of the United States District Court for the Northern District of Ohio.

STATEMENT OF THE CASE

While Akro disagrees with certain of the characterizations set forth in Luker's Statement of the Case, Akro does not dispute that Akro filed a suit seeking declaratory judgments of patent invalidity and non-infringement against Luker in 1993 after Luker repeatedly threatened to sue Akro under U.S. Patent No. 4,871,602 ("the '602 patent"). After a bench trial in February of 1997, the District Court issued its June 3, 1997 opinion dismissing both Akro's declaratory judgment claims and Luker's counterclaim for patent infringement for lack of subject matter jurisdiction. The Court based this dismissal on its finding that Luker held neither legal nor equitable title to the '602 patent, and hence did not have standing to sue Akro for patent infringement.

Thereafter, Luker requested that the District Court reconsider its June 3, 1997 decision, and also requested in the alternative that the District Court add Designer Mat, Inc. ("Designer Mat") as a party to the suit and render a decision on the merits. The District Court denied this motion in an Order issued March 30, 1998. Luker appealed both the June 3, 1997 and March 30, 1998 rulings of the District Court to the Federal Circuit. After briefing and oral argument, the Federal Circuit entered a judgment on December 14, 1998 affirming, without opinion, the decisions of the District Court.

STATEMENT OF FACTS

The District Court dismissed the present action for lack of subject matter jurisdiction after determining under California Labor Code § 2860 that Luker held neither legal nor equitable title to the '602 patent. The factual background underlying the District Court's decision in this regard is as follows. The '602 patent is directed to an automobile floor mat which includes heavier carpeting in the "heel pad" area. At the time the floor mat claimed in the '602 patent was conceived and developed, Luker was the president and sole owner of Designer Mat, a company engaged in the manufacture and sale of automobile floor mats. (June 3, 1997 Opinion, ¶¶ 3-4, pp. 2a-3a).[1] In 1987 George Kennedy, Designer Mat's plant foreman, conceived and manufactured the automobile floor mat which is described and claimed in the '602 patent. (Trial Transcript, Luker Testimony, pp. A4089-A4090, A4117; Trial Transcript, Kennedy Testimony, pp. A4125-A4217). Mr. Kennedy developed this product at Designer Mat's manufacturing facility, during Designer Mat's regular business hours, using Designer Mat's equipment and supplies, and with the help of other Designer Mat employees. (June 3, 1997 Opinion, ¶ 6, pp. 4a; Trial Transcript, Luker Testimony, pp. A4091-A4092, A4114-A4116, A4119; Trial Transcript, Kennedy Testimony, pp. A4124-A4128). While Luker claims that he was also involved in the conception of the floor mat claimed in the '602 patent, Luker has admitted that one of his responsibilities at Designer Mat was to develop new products such as the claimed floor mat. (June 3, 1997

1. Citations to pages which include an "a" designation (*e.g.*, pp. 2a-3a) refer to pages in Appendix A to Luker's Petition for Writ of Certiorari. References to pages with an "A" designation (*e.g.*, pp. A4089-A4090) refer to pages in the Joint Appendix of the United States Court of Appeals for the Federal Circuit Appeal No. 97-1463.

Opinion, ¶¶ 4-5, pp. 3a-4a). Luker has also admitted that it was Mr. Kennedy, and not Luker, who set up the tufting equipment and manufactured the first samples of the floor mat claimed in the '602 patent. (Trial Transcript, Luker Testimony, pp. A4115-A4116, A4118; Trial Transcript, Kennedy Testimony, pp. A4124-A4127). Luker has also admitted that Mr. Kennedy did this pursuant to his responsibilities as an employee of Designer Mat, as Luker never employed Mr. Kennedy in a personal capacity. (Trial Transcript, Luker Testimony, pp. A4086-A4088, A4093-A4094; Trial Transcript, Kennedy Testimony, pp. A4122-A4123). Shortly after Mr. Kennedy finished testing the original samples of the claimed floor mat, Designer Mat switched 100% of its production capacity to the manufacture of Mr. Kennedy's new floor mat. (*See* Trial Transcript, Luker Testimony, pp. A4110A-A4110B).

Around the same time, Luker, in his capacity as president of Designer Mat, retained an attorney for purposes of patenting the floor mat which Mr. Kennedy had conceived and developed. While a patent application was ultimately prepared and filed, it was Designer Mat and an outside investor, as opposed to Luker, who paid the attorneys fees and other expenses associated with the application which ultimately matured into the '602 patent. (June 3, 1997 Opinion, ¶ 7, pp. 4a-5a). Luker never reported these payments as income on his federal or state tax returns, because at this time Luker was treating the patent application as an asset of Designer Mat. (*See* June 3, 1997 Opinion, ¶ 7, pp. 4a-5a).

Shortly thereafter, Luker ran into financial difficulties, and ultimately both Luker and Designer Mat filed for bankruptcy. (June 3, 1997 Opinion, ¶ 7, pp. 4a-5a). Consistent with Luker's treatment of the '602 patent up through that

point, Luker's patent attorneys filed a claim for their unpaid fees in the Designer Mat bankruptcy proceeding, but did not file a claim in Luker's personal bankruptcy proceeding. (*See* Bankruptcy Schedules, pp. A4024-A4058, A4029). Ultimately, the Designer Mat bankruptcy proceeding was concluded without the '602 patent being administered, as Luker never notified the bankruptcy trustee regarding the existence of the '602 patent. During the bankruptcy proceedings, the trustee administered Designer Mat's scheduled assets (*i.e.*, all assets but the '602 patent), and the bankruptcy was formally concluded in 1991. At this time Designer Mat no longer had any assets, employees, or a place of business, and Designer Mat had ceased all business operations. Designer Mat's creditors, who filed claims during that bankruptcy which in aggregate totaled over $800,000, received only a few thousand dollars from the trustee's sale of Designer Mat's assets. (*See* Bankruptcy Schedules, pp. A4024-A4058). Luker correctly notes in his petition that the creditors of Designer Mat have never asserted an interest in the '602 patent. (Luker's Petition, pp. 6, 8). However, as should be clear from above, the reason they have never asserted an interest is because Luker improperly concealed the patent from them during the bankruptcy proceedings.

Shortly thereafter, Mr. Kennedy filed an action against Luker seeking an order declaring that he, and not Luker, invented the floor mat claimed in the '602 patent. In this action, Mr. Kennedy further requested that the court compel Luker to assign the '602 patent to him. During this dispute, Luker took the position that Mr. Kennedy did not have any ownership interest in the '602 patent because his contributions to the conception and development of the claimed floor mat were made as part of his job, and hence his employer, Designer Mat, owned the patent. In the words of Luker's attorney:

> Under the common law, an invention by an engineer or other such person working in a technical capacity would clearly belong to the employer if the invention related to the employer's business. . . . ***[I]t seems clear that the invention belongs to the employer***, even if George [Kennedy] were considered to be a joint inventor. While the business was small and George [Kennedy] was not a sole or joint inventor hired primarily to invent, he was employed in a technical or supervisory capacity. . . . Further, this work was done on the employer's equipment and materials, and George [Kennedy] was paid for his services as an employee in connection with such work. Also very important is the fact that the product was clearly in your business line.

(Emphasis added). (Luker Opinion Letter, p. A4019). Later during this dispute, Luker's attorneys also expressly considered the effect of California Labor Code § 2860 on the ownership of the '602 patent. In the words of Luker's attorney:

> [M]y February 9th letter discusses invention and ownership and states that in the absence of an agreement between an employer and an employee the common law applies. This is true in the absence of a statute. California has, however, passed a statute in that area namely Section 2860 of the Labor Code, a copy of which is enclosed. That section ***seems favorable to your position***.

(Emphasis added). (Luker Opinion Letter, p. A4020). Ultimately, Luker and Kennedy settled their dispute, after Mr. Kennedy suffered a massive heart attack and was no longer able to prosecute his lawsuit against Luker.

Based on the above-stated facts, the District Court concluded that Luker acquired the '602 patent by virtue of his employment with Designer Mat. Accordingly, the court found, consistent with the opinion of Luker's attorney, that pursuant to California Labor Code § 2860, the '602 patent was owned by Designer Mat, and not Luker.

SUMMARY OF ARGUMENT

Luker's Petition for Writ of Certiorari should be denied because Luker has failed to show that "special and important reasons" exist which would justify review of the District Court's unremarkable application of the well-established authorities relating to standing and subject matter jurisdiction. Luker's petition should also be denied because it is based solely on arguments which Luker has waived by non-presentation during his appeal to the Federal Circuit. More importantly, the "relief" which Luker seeks is contrary to standing requirement set forth in the United States Constitution and the decisions of this Court, as Luker is seeking to sue on a patent in which he has no ownership interest. In any event, Luker's petition never even acknowledges, let alone challenges, the numerous constitutional, statutory and case law authorities which directly rebut Luker's contention that "the issue of patent validity can be resolved without the patent owner as a party to the suit." (Luker's Petition, p. 9). As such, it is respectfully submitted that Luker's present petition should be denied as it neither demonstrates that an error was committed below or that review by this Court is warranted.

REASONS FOR DENYING THE WRIT

I.

LUKER'S PETITION FAILS TO IDENTIFY ANY "SPECIAL AND IMPORTANT REASONS" WHICH WOULD WARRANT REVIEW BY THIS COURT

As an initial matter, Luker's petition should be denied because Luker has failed to meet the threshold requirements which would justify review of the decision below by this Court. Specifically, pursuant to S. Ct. R. 10.1(a), Luker must demonstrate that "special and important reasons" exist which justify review of the Federal Circuit's December 14, 1998 decision in this matter. Luker has not and cannot make any such showing, as the decision below is simply an unexceptional application of the standing requirement set forth in Article III of the United States Constitution. The absence of any "special" or "important" reasons for review is made readily apparent by the fact that Luker's petition never addresses, or even mentions, the Article III standing requirement which forms the basis for the decision below, but instead contends that review is warranted because the decisions of the Federal Circuit are allegedly "unclear as to whether the issue of patent validity can be resolved without the patent owner as a party to the suit." (Luker's Petition, p. 9). Thus, even were Luker's contention in this regard true, which it is not, there would be absolutely no reason to review the decision below, as Luker has neither challenged, nor shown why, the standing requirement of Article III would not apply in the present case. Accordingly, Akro respectfully submits that Luker's petition should be denied as he has failed to meet the threshold requirements of S. Ct. R. 10.1(a).

II.

LUKER'S PETITION IS IMPROPERLY BASED ON ARGUMENTS WHICH LUKER FAILED TO RAISE ON HIS APPEAL TO THE FEDERAL CIRCUIT

Luker's Petition for a Writ of Certiorari is equally defective because it is based on "questions presented" which Luker failed to raise during his appeal to the Federal Circuit. Specifically, in appealing the finding of the District Court that Luker held neither legal nor equitable title to U.S. Patent No. 4,871,602 ("the '602 patent"), Luker argued (i) that under California law Luker held legal title to the '602 patent and; (ii) that the right to sue for patent infringement damages belongs to the holder of legal title to a patent, and hence Akro could not raise the equitable interests of Designer Mat in the '602 patent as a defense. On the present petition, however, Luker no longer contests the District Court's finding that Designer Mat held both legal and equitable title to the '602 patent, but instead argues that once the questions of patent validity and infringement have been put before a court, that court must rule on those issues, even if the court determines that the party to the action who purportedly owns the patent in fact holds no interest in the patent whatsoever. Accordingly, Akro respectfully submits that Luker waived this argument by non-presentation during his appeal to the Federal Circuit, thus providing an independent grounds for denying Luker's petition.

III.

THE COURTS BELOW PROPERLY DISMISSED THE PRESENT PATENT INFRINGEMENT ACTION UPON DETERMINING THAT LUKER HELD NEITHER LEGAL NOR EQUITABLE TITLE TO THE '602 PATENT

A. The District Court did not have Jurisdiction to Adjudicate the '602 Patent Where the Owner of the Patent was Not a Party to the Action

In any event, Luker's petition is equally defective because it seeks a result which is contrary to both the United States Constitution and the decisions of this Court. Specifically, as noted above, both of the "questions presented" set forth in Luker's petition ask this Court to rule that even where a District Court determines that the owner of a patent is ***not*** a party to an action for patent infringement, the court is ***obligated*** to make rulings as to whether or not the patent is valid and/or infringed. However, Luker's request is directly contrary to Article III of the United States Constitution, as Article III has been interpreted by this Court to limit the jurisdiction of the federal courts to actions where the parties to the litigation have standing to raise the asserted claims. *Allen v. Wright*, 468 U.S. 737, 750 (U.S. 1984). To have such standing, this Court has held that the claimant must generally allege that they have personally been injured by actions that are fairly traceable to the defendant's unlawful conduct. *Allen v. Wright*, 468 U.S. 737, 751 (U.S. 1984). Accordingly, Article III imposes a "general prohibition on a litigant's raising another person's legal rights." *Allen v. Wright*, 468 U.S. 737, 751 (U.S. 1984). Thus, the "relief" requested by Luker is directly contrary to this Court's decisions under Article III of the Constitution.

Moreover, with respect to actions for patent infringement, this Court has clearly held that it is the holder of legal title to the patent, during the time of the alleged infringement, who has standing to sue for relief. *Crown Die & Tool Co. v. Nye Tool & Mach. Works*, 261 U.S. 24, 40-41 (1923). The Federal Circuit follows the authority of this Court in this regard, as most recently stated in *Arachnid, Inc. v. Merit Ind., Inc.*, 939 F.2d 1574, 1579 (Fed. Cir. 1991). In the present case, the District Court expressly found that Designer Mat, and not Luker, held legal (as well as equitable) title to the '602 patent. As such, it is clear that Luker did not have standing to sue Akro for infringement of the '602 patent, and hence the District Court properly dismissed the action for lack of standing.

Significantly, Luker's petition to this Court does not even mention the standing requirements of Article III which form the basis for the decision below. Instead, Luker merely cites to a line of cases which hold that patent infringement defendants may not raise the ***equitable rights*** of third party in a patent as a defense in a patent infringement suit. What Luker apparently fails to appreciate is that the cases he cites are completely consistent with, and in fact follow, the *Crown Die* and *Arachnid* decisions cited above, as in all of these cases it is only the holder of ***legal title*** to the patent who had standing to sue for patent infringement. Thus, as applied to the present case, it is clear that the cases cited by Luker actually support the decision of the District Court, as they compel dismissal of the action where, as here, the legal owner of the patent is not a party to the litigation.

B. The Decisions Cited by Luker Do Not Hold that Courts Can Adjudicate Patent Validity and Infringement without the Patent Owner as a Party to the Action

As noted above, Luker has not seriously challenged the finding by the courts below that pursuant to Section 2860 of the California Labor Code, Designer Mat holds both legal and equitable title to the '602 patent. Instead, Luker argues that the decisions of the Federal Circuit are "unclear as to whether the issue of patent validity can be resolved without the patent owner as a party to the suit." (Luker Petition, p. 9). In other words, on his petition to this Court, Luker is arguing that the District Court should be compelled to issue a ruling on the validity of the '602 patent and Akro's alleged infringement thereof, even though the owner of all right and title to the '602 patent, Designer Mat, was not a party to the action.[2] Presumably Luker is also arguing that he should be allowed to recover the monetary damages (for Akro's alleged patent infringement) he has claimed, even though he does not own the patent on which he is suing.

In support of this argument, Luker cites to decisions of the Court of Claims, the U.S. District Court for the District of Delaware, and the First, Sixth and Seventh Circuit Court of Appeals, which Luker asserts hold that the federal courts can and should adjudicate patent validity and infringement even if the owner of the patent is not a party to the suit. (Luker's Petition, pp. 9, 11 and 15-16). However, Akro

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2. Luker never addresses his position on whether or not Designer Mat should be bound by the decision relating to the validity or infringement of the '602 patent which he seeks to have this Court force the District Court to make.

respectfully submits that none of the cases cited by Luker stands for this proposition. Instead, these cases at most hold that where a party to an action for patent infringement ***holds legal title to the patent***, the accused infringer cannot raise the ***equitable rights*** of another in the patent as a defense. Clearly these cases are inapposite here, as it is undisputed that Luker holds neither legal nor equitable title to the '602 patent. The authorities that are applicable are the decision of this Court in *Crown Die* and the Federal Circuit in *Arachnid*, which expressly hold that where, as here, the holder of legal title to the patent is not a party to the suit, the court does not have subject matter jurisdiction to adjudicate any claims relating to the infringement or invalidity of the patent.

IV.

THE COURTS BELOW CORRECTLY DETERMINED THAT LUKER HOLDS NEITHER LEGAL NOR EQUITABLE TITLE TO THE '602 PATENT

In his petition to this Court, Luker does not seriously contest the finding of the courts below that Designer Mat, and not Luker, holds both legal and equitable title to the '602 patent. However, in passing Luker's petition does state, without support or explanation, that this finding was erroneous. (Luker's Petition, pp. 9-10). Pursuant to S. Ct. R. 14.1(a), Akro respectfully submits that this Court should not even consider Luker's unsupported assertion regarding the judgment below, as this alleged grounds of "error" was not set out in Luker's "questions presented" or fairly included therein as required by this Court's rule. In any event, the record below makes clear that the District Court correctly concluded that Designer Mat, as opposed to Luker, holds both legal and equitable title to the '602 patent. For the Court's

convenience, the facts and authorities which compel this conclusion are briefly reiterated below.

As noted above, the District Court's finding that Luker held neither legal nor equitable title to the '602 patent was based on California Labor Code § 2860. Pursuant to this statute, California employers are entitled to

> [e]verything which an ***employee acquires by virture of his employment*** . . . whether acquired lawfully or unlawfully, or during or after the expiration of the term of his employment.

As recognized by the courts below, Section 2860, by operation of law, vested both legal and equitable title to the '602 patent in Designer Mat, as the undisputed factual record (which is set forth above) clearly demonstrated that Luker acquired the '602 patent solely by virtue of his employment with Designer Mat. This finding is consistent with a line of Federal Circuit decisions holding that statutory and/or contractual provisions may operate to vest title to a patent in a person other than the inventor. *See Heinemann v. United States*, 796 F.2d 451 (Fed. Cir. 1986) (executive order acted by operation of law to vest title to patents on inventions by United States government employees in the government); *Filmtec v. Allied Signal*, 939 F.2d 1568 (Fed. Cir. 1991) (government contract transferred to the U.S. government, by operation of law, full title to inventions developed by employees of the contractor); *Filmtec v. Hydranautics*, 982 F.2d 1546 (Fed. Cir. 1992) (federal statute acted by operation of law to vest title to patents on inventions by employees of a government contractor to the U.S. government). Once the District Court made this determination, it was compelled to dismiss the present action.

V.

LUKER'S PETITION INCLUDES NUMEROUS MISCHARACTERIZATIONS OF LAW AND FACT

Pursuant to S. Ct. R. 15.2, Akro would also call to the Court's attention a number of additional mischaracterizations of fact and law which are included in Luker's petition. While these misstatements generally do not bear on either of the "questions presented" set forth in Luker's petition, Akro calls them to the Court's attention in the event Luker attempts in reply to modify his position on the present petition.

The first such mischaracterization is Luker's statement, which is made without support or explanation, that "California Labor Code § 2860 appears to have been enacted to interdict theft of an employer's trade secrets." (Luker's Petition, p. 10). Presumably Luker's statement in this regard is meant to imply that the courts below erred in applying this statute in a patent case. However, any such implication is directly contradicted by decisions of the California courts, and by the express language of the statute which is broadly worded to encompass "everything . . . acquire[d] by virtue of [the] employment," and which also expressly applies to things acquired "after the expiration of the term of [the] employment," which obviously cannot be referring to trade secrets. *See* Cal. Labor Code § 2860; *Williams v. Weisser*, 273 Cal. App. 726, 729 (Cal. App. 1969) ("section [2860] has been applied principally, though not exclusively, to unfair competition"). Thus, contrary to Luker's unsupported assertion, it is clear that the courts below did not err in applying Section 2860 in a case involving intellectual property other than trade secrets.

Luker's next misstatement is his contention that the trial court allegedly further erred in that it applied Section 2860 without first determining whether Luker was employed in an inventive capacity by Designer Mat. (Luker's Petition, p. 10). This assertion, however, simply misrepresents the record, as the District Court expressly found that one of Luker's responsibilities as an employee of Designer Mat was "the design and development of new products." (June 3, 1997 Order, ¶ 16, p. 12a; March 30, 1998 Opinion, p. 19a).

Luker also asserts in his petition, without support, that "the '602 patent application was listed on Luker's personal bankruptcy schedule." (Luker's Petition, p. 8). Although Akro believes that this assertion is irrelevant to any issue in this case, Akro would advise the Court that there is no evidence in the record below which would support such an assertion.

Luker also mischaracterizes Akro's position before the District Court and the Federal Circuit on the ownership issue. (*See* Luker's Petition, pp. 11-14). Specifically, what Akro argued, and what both the District Court and Federal Circuit found, was that Cal. Labor Code § 2860 acted, by operation of law, to vest both legal and equitable title to the '602 patent in Designer Mat. In support of this argument, Akro relied on the express language of Section 2860, as well as the decisions of the Federal Circuit, cited above, in *Heinemann v. U.S.*; *Filmtec v. Allied Signal*; and *Filmtec v. Hydranautics*, which each indicate that statutes may operate to vest title to a patent in another by operation of law. Akro then argued that under the *Arachnid* decision the District Court did not have jurisdiction to hear the present case, as Luker did not hold legal title to the '602 patent and hence did not have standing to sue for infringement of that patent.

Finally, Luker also argues that Akro was perfectly willing to have Luker defend the validity of the patent, and that it was only once Luker counterclaimed for patent infringement that Akro raised its standing defense. (Luker's Petition, p. 18). However, what Luker fails to tell this Court is that it was Luker, not Designer Mat, who threatened Akro with suit, and that Akro did not even learn of Designer Mat's interest in the '602 patent until late in the discovery period. Once Akro learned that Luker did not hold an ownership interest in the '602 patent, Akro sought to have the present action dismissed, as the only party who had threatened Akro did not have standing to sue Akro under the '602 patent. Thus it should be clear that Akro has always maintained a consistent position on the standing issue in this case, and the only reason Akro originally sued Luker was because Luker was falsely asserting that he, and not Designer Mat, owned the '602 patent.

CONCLUSION

For the foregoing reasons, Akro respectfully submits that Luker's petition should be denied.

Respectfully submitted,

JAMES D. MYERS
Counsel of Record
MYERS BIGEL SIBLEY & SAJOVEC, P.A.
Attorneys for Respondent
P.O. Box 37428
111 Corning Road
Raleigh, North Carolina 27627
(919) 854-1400